



## *Mercury Allocations and Banking*

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## *Allocations - Methods*

- Sale by Regulator
  - Auction
  - Formula distribution
  - Hybrids
- Direct Grant
- ADEQ has no authority to charge sources for pollution credits



## *Allocations – Strawman Principles*

### ● Fairness

- Minimize winners and losers
- Allow for “full” source utilization

### ● Reward early reductions

### ● Maximize intra-source flexibility

### ● To extent feasible, allow for growth and contingencies

### ● Credits belong to sources BUT are not “property”



## *Strawman Allocation Method*

- Pro rata to all units “in existence”
  - 90% capacity factor
  - Heat Input
  - Average coal mercury content
- Distributed to each source rather than each unit



## *Strawman Allocations (lbs/yr)*

Generating Station	Gross MW	2010-2017	2018 +
AEPCO Apache	390	70.4	27.8
APS Cholla	1,106	266.2	105.0
SRP Coronado	822	197.8	78.0
TEP Irvington	173	27.8	10.9
TEP Springerville	1,730	345.8	136.3
State Budget		908.0	358.0



## *Banking*

- Provides incentive for early reductions
- Increases flexibility
- Strawman Principles
  - Banked allocations belong to sources
  - 50% are sequestered for growth and contingency set-asides
  - Amount used in any one year is limited (flow control)



## *Banking – Set-asides (lbs/yr)*

Generating Station	90% Control in 2013	2010-2017 Allocation	Annual Difference
AEPCO Apache	27.9	70.4	42.5
APS Cholla	99.2	266.2	167.0
SRP Coronado	73.9	197.8	124.0
TEP Irvington	9.3	27.8	18.4
TEP Springerville	132.0	345.8	213.8
State Budget	342.3	908.0	550.0



## *Banking – Set-asides (cont'd)*

- Up to 550 lbs/yr surplus 2013 to 2017 - 2,750 lbs
  - 1,335 lbs could be used by existing sources after 2017
  - 1,335 lbs could be for contingency and growth
- 90 lbs/yr allocation would support a 1,000 MW generating station with 12 lbs/TBtu average coal Hg content
- Possible to allow 1,350 MW new coal generation beginning 2013 with  $\frac{1}{4}$  of annual surplus